



Association of Fundraising Professionals

State of Fundraising 2003 Report

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Introduction

2003 was a year of lingering uncertainty and recovery for charities in North America but most fundraisers ended the year optimistic about future immediate fundraising efforts.

After two difficult years for the U.S. economy, economic conditions gradually improved by the end of 2002 and the environment ripened for a turnabout in 2003. There was sustainable improvement in key factors such as interest rates that had fallen to new lows, the U.S. Federal budget was in a stimulus mode, tax cuts that put more spending power in the hands of consumers and overall productivity that doubled during the year. Most leading indicators were bullish throughout 2003 although job creation figures, considered a lagging economic indicator, were sluggish. The year saw continued struggles against terrorism and an outright war in Iraq as part of the effort to reduce terrorist threats to the U.S. In Canada, the worldwide SARS epidemic spread into Toronto, disrupting city life for several weeks in spring 2003. On the positive side, the Canadian economy seemed to recover more quickly than its U.S. counterpart, with respondents citing increases in federal, provincial, corporate and foundation funding.

Many fundraisers had made reserved predictions for 2003 giving in AFP's survey, *State of Fundraising 2002*. 2002 had proven to provide one of the flattest philanthropic giving landscapes in forty years, and many fundraisers were faced with the challenges of finding and motivating new donors, chasing down diminishing grants, and struggling with leadership issues within their organizations. Respondents were not that optimistic for 2003.

Would challenges continue to linger in 2003? And would charities be able to regroup and recover in the new philanthropic landscape?

With more than 26,000 members around the world, the Association of Fundraising Professionals (AFP) conducted the *State of Fundraising 2003* survey to find answers to these questions.

Executive Summary

In early 2004, the Association of Fundraising Professionals asked charities to compare their fundraising totals at the end of December 2003 to the amount they raised at the end of December 2002.

AFP wanted to learn:

- what issues were identified as affecting fundraising and what challenges did fundraisers anticipate facing in 2004
- how year-end 2003 compared in dollars raised against year-end 2002

The findings showed that in 2003, 54 percent of charities in the United States raised more money than they did in 2002, up from just 48 percent of charities in 2002 that raised more than they did in 2001. Charities in Canada continued the trend of improved fundraising, with 74 percent of charities reporting raising more funds in 2003 than in 2002, increasing from 62 percent of respondents in 2002.

Twenty-seven percent of U.S. respondents said they raised less money in 2003, and 20 percent said they raised about the same amount. In the previous survey covering 2002, 40 percent of U.S. respondents raised less money and 12 percent raised the same as in the previous year. In Canada, 22 percent of respondents reported raising fewer funds in 2003 and 4 percent saw no change in the funds raised. Last year in Canada, 25 percent of

respondents said they raised less money and 12 percent raised the same amount as in 2002.

Respondents in the United States said working through their development strategies, including capital campaigns, annual funds and focusing on major and planned gifts, was a key factor to improved fundraising in 2003. Canadian fundraisers attributed improved growth to increased awareness of their organizations and good standing in the community.

Improved fundraising growth has given fundraising professionals reason to be reservedly optimistic about 2004. Sixty-six percent of those surveyed said they expect monies raised in 2004 to be higher than 2003.

The year-end findings in this report are based on a survey of randomly selected AFP members from all types of charitable organizations. Throughout this report, AFP also used data from previous surveys, including *AFP's State of Fundraising Reports* from 2001 and 2002. The use of this data is intended to give some perspective on changes in the fundraising environment.

The responding organizations also provided their predictions for charitable fundraising in 2004. Some of their comments and ideas are woven throughout this report, while others are featured in a special section beginning on page 17. Their observations may prove interesting as you compare them to your organization's experiences.

About This Report

This report is based on responses to an email survey of AFP's members conducted from February to March 2004. A random sample of two pools of AFP members (3,000 from the United States and 2,500 from Canada) received an email directing them to a special website through which they entered their responses. All respondent data has been kept strictly confidential. There were 111 Canadian responses and 410 U.S. responses for an overall response rate of about 9.5 percent. The respondents represent a broad range of organizations in terms of budget size and practice setting. This is the third in a series of reports to track the annual year-end state of fundraising in the charitable sector.

About AFP

The Association of Fundraising Professionals (AFP) represents more than 26,000 members in more than 170 chapters throughout the world, working to advance philanthropy through advocacy, research, education and certification programs. The Association fosters development and growth of fundraising professionals and promotes high ethical standards in the fundraising profession. For information about AFP or to join the world's largest association of fundraising professionals, visit **www.afpnet.org**.

Acknowledgement

AFP would like to acknowledge the significant effort made by many of its members in providing timely survey responses for this report.

Respondent Profile

All respondents are members of AFP. To compare the 2003 year-end fundraising efforts to 2002 on organizations of different sizes, the respondents indicated their annual operating budget and the total amount raised in contributed gifts for fiscal year 2003. The organizations also specified in which one of eight practice settings they belong. AFP also used data from the annual report, *State of Fundraising 2002*, when comparing 2003 year-end trends to those of year-end 2002.

Breakdown of Respondent Pool by Size

The organization size of respondents ranges from those with contributed gifts totaling less than \$250,000 to those with more than \$50 million in total funds raised. However, most respondents fall somewhere in the middle of this span.

The U.S. group is weighted more toward the upper end of funds raised, with 42 percent of responding organizations reporting contributions of less than \$1 million and 58 percent raising \$1 million or more in contributions. Within the groups noted above, those reporting \$1 million to \$5 million in funds raised accounts for the largest single pool of respondents (31 percent).

The Canadian respondents showed a similar distribution in funds raised, with 43 percent of organizations raising less than \$1 million in contributions and 56 percent reporting \$1 million or more in contributions. The largest single group is comprised of those who raised \$1 million to \$5 million (30 percent).

In terms of annual operating budget, the bulk of U.S. respondents (43 percent) have annual operating budgets from \$10 million to \$75 million or more, with 25 percent falling within the \$10 million to \$50 million range. Nearly 14 percent of responding nonprofits report budgets of more than \$75 million. Small organizations having budgets of less than \$1 million comprise 17 percent of U.S. respondents, and those with budgets of \$1 million to \$3 million make up 16 percent.

The operating budgets of Canadian respondents are generally smaller than their U.S. counterparts, with 43 percent reporting budgets from \$1 million to \$10 million; 29 percent fall into the \$1 million to \$3 million range. A sizeable portion of the Canadian respondents are small organizations, with 32 percent having budgets of \$1 million or less. Organizations with large budgets of \$10 million or more represented the final 24 percent of Canadian respondents.

Breakdown of Respondent Pool by Practice Setting

There are some slight differences between the U.S. and Canadian respondents when it comes to their practice settings.

Among U.S. respondents, **educational organizations** make up the largest segment (28 percent), whereas **healthcare organizations** account for 24 percent of Canadian respondents. Rounding out the top three practice areas represented by U.S. respondents are **healthcare**, which covers 20 percent of respondents; and **social service**, which represents 18 percent of the survey pool. **Arts/cultural, religious, public society/benefit and environmental groups** each account for a small percentage (less than 10 percent each) of respondents. Organizations that fall into **other** categories comprise 15 percent of U.S. respondents.

Rounding out the top four of Canadian respondents are **social service**, which represents 18 percent of respondents; **education**, which represents 11 percent; and **arts/cultural** with 15 percent of respondents. As with U.S. respondents, religious, public society/benefit and environmental groups in the Canadian pool represent less than 10 percent of respondents. Those organizations falling into **other** categories account for 19 percent of total respondents.

Report Findings

This is one in a series of surveys first developed in 2001 to track the state of fundraising in the United States and Canada. The results are published annually in *State of Fundraising* reports, which can be found at www.afpnet.org. The first two studies of AFP members (October 2001, *Impact of September 11*, and December 2001, *State of Fundraising 2001*) showed the immediate effects of Sept. 11 and the slowing economy on the charitable sector's fundraising efforts in the short term. Members were asked to compare funds raised from 2000 to funds raised in 2001, to list challenges and issues faced during the year and to predict their fundraising effectiveness in the following year.

For subsequent reports, including the *State of Fundraising 2003* report, another dimension was added. Members in the United States and Canada were separated to report trends in each country. (In the case of Canadian members, the entire membership roster was surveyed with a representative sample responding to the survey.) The intent of the survey was to answer these questions:

- 1. How do the funds raised by year's end 2003 compare with those raised in 2002?**
- 2. Is this consistent among all sizes of charitable organizations regardless of the amount of funds raised?**
- 3. Are the findings consistent throughout the various subsections or practice settings?**
- 4. How are these findings different from those in the *State of Fundraising 2002* report?**
- 5. How did fundraisers' expectations for fundraising in 2003 affect their organizations' goals for the year?**
- 6. What were the biggest challenges affecting fundraising professionals in 2003?**
- 7. What single issue most positively affected fundraising in 2003?**
- 8. What do fundraising professionals believe will be the biggest challenges, issues or trends to affect their organizations, either positively or negatively, in 2004?**
- 9. Do fundraisers believe funding levels will increase, decrease or stay the same in 2004?**

Based on the survey responses, the following observations can be made:

- 1. How do the funds raised by year's end 2003 compare with those raised in 2002?**
Overall fundraising in North America was solid, with the majority of both Canadian and U.S. fundraisers reporting raising the same or more funds in 2003 than in 2002. In Canada, fundraising reports were very strong, with nearly three-fourths of respondents (74 percent) raising more funds in 2003 – a 12 percent jump in respondents citing an

improvement over the previous year. In the U.S., 2003 fundraising also was up over the previous year, with more than half the respondents (54 percent) noting fundraising increases in 2003 over 2002 totals (49 percent). However, in 2001, a robust 60 percent of U.S. respondents saw increasing growth in fundraising totals over the previous year.

That left 27 percent of U.S. fundraisers and 22 percent of Canadian fundraisers raising fewer funds than the previous year. An additional 20 percent of U.S. respondents and 4 percent of Canadian respondents raised about the same in 2003 as they did in 2002.

Chart 1: Change in Funds Raised, 2002-2003 Compared to 2002

	United States	Canada
Less than 2002	27%	22%
About the same	20%	4%
More than 2002	54%	74%

2. Is this consistent among all sizes of charitable organizations regardless of the amount of funds raised?

In the U.S., all but the smallest two subgroups of nonprofits experienced mean percentage increases in fundraising in 2003. Collectively, U.S. respondents reported an average of 5.74 percent growth in dollars raised over 2002 figures. Canadian mean percentages for 2003 were not available. As compared to 2002 figures, the U.S. survey last year indicated a mean growth of just 1.63 percent over 2001 findings; the Canadian mean was 8 percent during the same period.

Chart 2: Est. Mean 2002-2003 Change in Dollars Raised from All Sources – U.S. Respondents

2003 Dollars Raised: All Private Sources	Mean % Change
less than \$250,000	-2.25
\$250K-\$500K	-.42
\$500K-\$1M	2.98
\$1M-\$5M	9.25
\$5M-\$10M	10.38
\$10M-\$50M	10.63
\$50M+	9.46
Total	5.74

Larger charities fared well in the United States. U.S. nonprofits raising \$5 million to \$50 million reported increases of about 10.5 percent. Groups raising \$1 million to \$5 million increased more than 9 percent in funds, as did the largest organizations raising more than \$50 million. Only the smallest subgroups did worse at year-end 2003 than they did in 2002. Organizations raising less than \$250,000 experienced a 2.25 percent drop in funds raised over the previous year, and nonprofits raising between \$250,000 and \$500,000 saw a slight dip of almost half a percent in their mean percentage in funds raised.

3. Are the findings consistent throughout the various subsections or practice settings?

Increases in fundraising were seen in nearly all practice settings of the charitable sector in the United States. Among U.S. respondents, education charities performed the best in 2003, increasing their fundraising on average by nearly 12 percent. Other solid

performers were healthcare (4.44 percent) and social service organizations (4.16 percent). Charities from the public society/benefit (11.22 percent), environmental (6.59 percent), religious (6.25 percent) groups also reported healthy figures, although AFP did not receive enough responses from these groups to have a statistically valid sample.

Among all Canadian respondents, more (24.3 percent) saw a 1 percent to 9 percent growth over last year's numbers than other percentage changes that were ranked. Individual average growth figures were not reported on the Canadian survey, so means percentages are not available for total respondents and the subgroups.

The following charts show the wide range of responses throughout the categories.

Chart 3a: U. S. Respondents 2002-2003 Change*:

*Raised from All Sources

<i>Compared to 2002</i>	<i>All Respond</i>	<i>Arts/Cult.</i>	<i>Social Svc.</i>	<i>Educ.</i>	<i>Envir*</i>	<i>Pub. Soc./Ben*</i>	<i>Healthcare</i>	<i>Religious *</i>
- 50% or less	1.8	3.0	1.4	0.0	0.0	0.0	1.3	5.6
- 49-40%	0.3	0.0	0.0	0.9	0.0	0.0	0.0	0.0
- 39-30%	3.8	6.1	4.3	2.7	0.0	11.1	6.5	0.0
- 29-20%	4.1	3.0	2.9	4.5	0.0	0.0	3.9	11.1
- 19-10%	6.1	6.1	7.1	4.5	9.1	0.0	9.1	0.0
- 9- 1%	11.2	12.1	18.6	6.4	0.0	33.3	6.5	16.7
No Change	20.1	24.2	17.1	16.4	36.4	11.1	20.8	5.6
+ 1- 9%	17.8	18.2	20.0	16.4	18.2	0.0	15.6	22.2
+ 10-19%	15.2	12.1	14.3	17.3	18.2	22.2	15.6	16.7
+ 20-29%	8.9	9.1	4.3	11.8	18.2	0.0	14.3	5.6
+ 30-39%	3.3	6.1	2.9	7.3	0.0	0.0	1.3	0.0
+ 40-49%	1.8	0.0	1.4	2.7	0.0	0.0	0.0	11.1
+ 50% or more	5.8	0.0	5.7	9.1	0.0	22.2	5.2	5.6
<i>Mean</i>	<i>5.74</i>	<i>.82</i>	<i>4.16</i>	<i>11.91</i>	<i>6.59</i>	<i>11.22</i>	<i>4.44</i>	<i>6.25</i>

* Respondent pool of subsections too small to be statistically valid.

Chart 3b: Canadian Respondents 2002-2003 Change:

Raised from All Sources

<i>Compared to 2002</i>	<i>All Respond</i>	<i>Arts/Cult.</i>	<i>Social Svc.</i>	<i>Educ.</i>	<i>Envir*</i>	<i>Pub. Soc./Ben*</i>	<i>Healthcare</i>	<i>Religious *</i>
- 50% or less	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- 49-40%	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- 39-30%	1.0	0.0	0.0	9.1	0.0	0.0	0.0	0.0
- 29-20%	3.9	0.0	5.9	9.1	0.0	0.0	8.3	0.0
- 19-10%	5.8	10.0	5.9	0.0	25.0	0.0	8.3	0.0
- 9- 1%	9.7	40.0	0.0	0.0	0.0	0.0	20.8	25.0
No Change	3.9	0.0	5.9	0.0	0.0	11.1	4.2	0.0
+ 1- 9%	24.3	10.0	17.6	18.2	25.0	11.1	33.3	0.0
+ 10-19%	12.6	10.0	5.9	9.1	25.0	33.3	8.3	25.0
+ 20-29%	9.7	10.0	17.6	9.1	25.0	22.2	0.0	0.0
+ 30-39%	5.8	10.0	11.8	0.0	0.0	0.0	8.3	0.0
+ 40-49%	4.9	0.0	17.6	9.1	0.0	0.0	4.2	0.0
+ 50% or more	16.5	10.0	11.8	36.4	0.0	22.2	4.2	50.0
<i>Mean</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>

* Respondent pool of subsections too small to be statistically valid.

4. How are these findings different from those in the *State of Fundraising 2002* report?

The *State of Fundraising 2002* indicated that charitable giving in North America – particularly in the United States – while not outright decreasing, was decidedly flat. The report for 2003 shows that somewhere during the year charitable giving began to rebound. Survey response from Canadian members was limited, so the report details more results from the United States.

In the report focusing on organizational performance in 2003, more U.S. charities reported increases in funds raised at the end of 2003 than they did in 2002 – a reversal of the decline in growth between 2001 and 2002. Whereas the percentage of U.S. respondents experiencing growth in funds raised slipped from 60 percent in 2001 to 49 percent in 2002, 54 percent of respondents experienced an increase in donations in 2003. An additional 20 percent maintained similar levels of fundraising in 2003 as in the previous year. The percentage of those who raised fewer funds from the previous year dropped from 39 percent in 2002 to 27 percent in 2003.

Of Canadian respondents, a strong growth is indicated, with 74 percent raising more funds in 2003, up 12 percent from the 2002 survey. The number who reported raising the same amount of funds year-to-year dropped from 11 percent to just 4 percent. Canadian respondents who reported raising less funds at the end of 2003 when compared with 2002 decreased by 3 percent, from 25 percent in 2002 to 22 percent in 2003.

Chart 4a: Past Year – Present Year Change in Monies Raised – U.S. Respondents

Change Past Year – Present Year	U.S. 2002	U.S. 2003
Lower than Past Year	39%	27%
About the Same as Past Year	11%	20%
Higher than Past Year	49%	54%

Chart 4b: Past Year – Present Year Change in Monies Raised – Canadian Respondents

Change Past Year – Present Year	Canada 2002	Canada 2003
Lower than Past Year	25%	22%
About the Same as Past Year	11%	4%
Higher than Past Year	62%	74%

When U.S. respondents were asked in the 2002 survey to predict their fundraising performance for 2003, fundraisers were not as optimistic about their ability to increase their organizations' fundraising totals as they had been the year prior. However, the improved fundraising in 2003 has contributed to an optimistic outlook for the future once again. Where only 45 percent of fundraisers predicted increases in funds raised in 2003, 66 percent of fundraisers now expect to raise more funds in 2004.

In the 2002 survey when Canadian fundraisers were asked to predict their fundraising performance for 2003, roughly two-thirds (67.8 percent) expected fundraising to increase in 2003. Almost the same prediction was made for 2004, with 66.3 percent predicting increases in fundraising totals while 21.8 percent expect no change and 11.9 percent predict a decrease in fundraising totals.

Respondents in both countries seem equally enthusiastic about 2004 fundraising totals.

Chart 4c: Predicted Present Year – Next Year Change in Monies Raised – U.S. Respondents

Predict Present -- Next Year Change	U.S. 2002	U.S. 2003
Lower in the Next Year	16.3%	9.4%

About the Same	38.1%	24.2%
Higher in the Next Year	45.3%	66.3%

Chart 4d: Predicted Present Year – Next Year Change in Monies Raised – Canada Respondents

Predict Present -- Next Year Change	Canada 2002	Canada 2003
Lower in the Next Year	10.9%	11.9%
About the Same	21.3%	21.8%
Higher in the Next Year	67.8%	66.3%

5. How did fundraisers' expectations for fundraising in 2003 affect their organizations' goals?

Interestingly, while only 45 percent of U.S. respondents predicted raising more funds in 2003, 59 percent of respondents had a higher fundraising goal in 2003 than they did in 2002. About 21 percent had the same goal, and 20 percent lowered their goal for fundraising. In Canada, where 70 percent of respondents had expected to raise more funds in 2003, only 63 percent raised their fundraising goal for the year.

Chart 5a: 2002-2003 Percent Dollar Change in Fundraising Goal

	Percent Change in Goal	U. S.	Canada
	- 50% or less	0.5%	1.0%
	- 49-40%	0.3%	0.0%
	- 39-30%	1.0%	0.0%
	- 29-20%	4.6%	0.0%
	- 19-10%	7.2%	2.1%
	- 9- 1%	6.1%	4.2%
	No Change	21.2%	14.6%
	+ 1- 9%	26.9%	29.2%
	+ 10-19%	16.4%	12.5%
	+ 20-29%	7.2%	14.6%
	+ 30-39%	2.6%	4.2%
	+ 40-49%	1.0%	2.1%
	+ 50% or more	5.1%	15.6%

The majority of both U.S. and Canadian respondents reached the fundraising goals their organizations had set for 2003. In the United States, 63 percent of the respondents said their charities reached their 2003 fundraising goals while 38 percent said they did not. Within the subgroups of U.S. respondents, only education organizations had more respondents failing to reach their 2003 fundraising goals (51 percent) than did (49 percent) reach their goal.

Seventy-one percent of Canadian respondents achieved their fundraising goals for 2003 while 29 percent did not. While respondent levels within the subgroups were too small to be statistically valid, all had majorities reaching their goals, except for arts and cultural nonprofits, of which half achieved their goals and half did not.

Chart 5b: 2003 Fundraising Goal Success Rate – U.S. Respondents

	All	Arts/Cult.	Soc. Srv.	Educ.	Envir.*	Pub. Soc/Ben.*	Healthcare	Religious*
Reached Goal	63.2%	62.3%	54.5%	48.6%	73.9%	72.7%	55.6%	62.8%
Didn't Reach	37.7%	37.7%	45.5%	51.4%	26.1%	27.3%	44.4%	37.2%

* Respondent pool of subsections too small to be statistically valid.

Chart 5c: 2003 Fundraising Goal Success Rate –Canadian Respondents

	All	Arts/Cult.*	Soc. Srv.*	Educ.*	Envir.*	Pub. Soc/Ben.*	Healthcare*	Religious*
Reached Goal	71.2%	50.0%	83.3%	54.5%	75.0%	66.7%	75.0%	66.7%
Didn't Reach	28.8%	50.0%	16.7%	45.5%	25.0%	33.3%	25.0%	33.3%

* Respondent pool of subsections too small to be statistically valid.

Respondents from both Canada and the United States had similar success rates in achieving their annual fund goals for 2003. Sixty-two percent of U.S. respondents met their goal, and 38 percent did not. Likewise, 65 percent of Canadian respondents reported achieving the annual fund goal, and 35 percent did not.

Chart 5d: 2003 Annual Fund Goal Success Rate

	U. S.	Canada
Reached Goal	62.4	65.0
Didn't Reach	37.6	35.0

Respondents from Canada were more successful in reaching their capital campaign goal than their U.S. counterparts. Roughly 78 percent of Canadian respondents who had capital campaigns met their goals compared to 65 percent of U.S. respondents.

Chart 5e: 2003 Capital Campaign Success Rate

	U. S.	Canada
Reached Goal	64.9	77.8
Didn't Reach	35.1	22.2

6. What were the biggest challenges affecting fundraising professionals in 2003?

In 2003, U.S. and Canadian respondents ranked challenges they experienced in fundraising differently. For the United States, the economy continues to be the No. 1 factor negatively impacting fundraising, according to nearly 40 percent of U.S. respondents. However, the top Canadian concern was increased fundraising competition, ranked as the greatest challenge of 2003 by roughly 25 percent of Canadian respondents.

Challenges Cited by U.S. Respondents

While the economy continued to stand out as the leading concern for U.S. charities, other top challenges cited among respondents included:

- problems with overall leadership, including board, volunteers and staff (8.2 percent noted as No. 1 challenge)

- staffing issues in the development office, including attracting, retaining and hiring the right mix of staff with the needed skills (7.2 percent noted as No. 1 challenge)
- decreases or lack of foundation and corporate support and the challenges in attracting and keeping support from these groups (6.6 percent cited reductions in foundation support as No. 1 challenge and 5.4 percent reported reduction of corporate support and sponsorship as No. 1 challenge affecting their charities)
- the competition among charitable organizations for philanthropic dollars (6.6 percent listed this as the No. 1 challenge to their fundraising effectiveness)
- the need for strategic fundraising and overall nonprofit organization planning was cited by 6.1 percent of respondents and brand awareness of the charity and its mission was noted by 4.3 percent
- attracting, motivating and retaining donors was the No. 1 challenge for 5.6 percent of respondents, and an aging or changing donor pool was cited by nearly 4 percent
- cuts in federal or state/provincial budgets was cited by 4.9 percent of respondents
- both the decrease in public confidence in charities, and international and political issues was mentioned by less than 1 percent each

Challenges Cited by Canadian Respondents

Whereas one quarter of Canadian respondents cited increased fundraising competition to be the No. 1 challenge of 2003, 16 percent still considered the economy as having the greatest negative impact on their organization and their fundraising effectiveness.

Other challenges included:

- problems with overall leadership — board, volunteer and staff — with respondents specifically citing leadership who didn't understand or embrace the development function (11 percent noted as No. 1 challenge)
- attracting, motivating and retaining donors was the No. 1 challenge for 8 percent of respondents, and an aging or changing donor pool was cited by 7 percent
- staffing issues, including recruitment, retention and finding the right people with the right skills (6 percent reported as their No. 1 problem)
- branding the charity and creating awareness for the organization within the community was a continuing challenge cited by 5 percent of Canadian respondents
- developing fundraising strategies in light of the changing fundraising landscape, including overall strategic planning for their organization (5 percent of respondents)
- changes in the fundraising culture, including funding from foundations (cited by 3 percent of respondents as the No. 1 challenge) and corporations (cited by 2 percent), as well as government-funding cutbacks (cited by 2 percent) was noted as having a great impact on charities

7. What single issue most positively affected fundraising in 2003?

Hard work and a good reputation proved to be positive influences on fundraising in 2003, according to U.S. respondents and Canadian respondents respectively. Their top issues that affected fundraising positively are listed below.

Positive Issues Cited by U.S. Respondents

Overwhelmingly, U.S. respondents pointed to the effectiveness of their fundraising strategies, campaigns, special events and just plain hard work as being a positive contributor to their efforts in 2003.

Other positive influences included:

- the organization's reputation and mission, brand awareness within the community, and media coverage of related issues
- staff consistency and changes and additions, especially funding of key development positions
- executive leadership and board involvement, particularly contributing to fundraising efforts
- encouraging donor loyalty and increased giving through relationship development
- other positive influences cited were the improved economy; volunteer leadership; foundation and government grants; windfall gifts; and new projects that encourage donor interest

Positive Issues Cited by Canadian Respondents

Canadian fundraising professionals said that awareness of their charities and issues pertaining to their work contributed most of all to fundraising in 2003.

Respondents also noted the following positive affects:

- fundraising strategies, particularly high-profile special events
- board and staff dedication, hiring fundraising officers and supportive executives
- interest and support of the charity's mission
- other influences noted were federal, corporate and foundation grants; the improved economy; and internal investments, such as a new database or a new office location

8. What do fundraising professionals believe will be the biggest challenges, issues or trends to affect their organizations, either positively or negatively, in 2004?

Some issues were seen as both positive challenges and negative challenges, depending on the unique perspective of the respondent. For example, while many in the United States still expected the economy to negatively affect their organizations in 2004, various respondents are already benefiting from improvements in the stock market and the economy. For 2004, the economy was not seen as prominent a challenge to Canadians as in 2003, the top issue being good leadership from the executive quarters and the boardroom.

2004 Challenges and Issues Cited by U.S. Respondents

The following were cited as the biggest issues of influence for 2004:

- The economy is expected to affect charities the most, respondents said – most believed negatively, but a good number have begun to see an improved stock market and economy having a positive impact on gifts.

- Developing new programs outside current strategies and changing existing fundraising strategies to be more effective. Capital campaigns was by far the most noted method, but other strategies cited include major gifts, planned giving, special events, increasing the effectiveness of the annual campaign, etc.
- Finding new donors as well as retaining and increasing giving from existing donors.
- The need for good leadership within organizations, especially from the board and CEO on fundraising issues – for most who listed this as a concern, direction and/or involvement from the top was lacking; others are thriving because of excellence at the executive level.
- Competition with increasing numbers of nonprofits for shrinking grant dollars from the government, corporations and private foundations.
- Affording, finding and keeping the right staffs, especially in the development office.
- Getting the word out to the public about the work and mission of the organization and overcoming bad press.
- The 2004 election was seen as having an impact on several organizations, some negative and some positive. The outcome of the election also was a concern for some charities.

Interestingly, whereas the war in Iraq and other international issues were a concern for 2002 and 2003, not a single respondent listed this as a challenge for 2004. Otherwise, the economy and donor development continue as top challenges affecting U.S. fundraising professionals and their organizations, and fundraising strategies replaced leadership needs as the No. 3 concern.

2004 Challenges and Trends Cited by Canadian Respondents

The following issues and challenges were identified by Canadian respondents as having the greatest impact on their fundraising effectiveness in 2004:

- The need for the board and CEO to show more leadership and support of fundraising activities in the organization.
- Strategic planning within the organization – including beginning, continuing and completing capital campaigns and increasing contributions to the major gifts program – was cited as a priority by many.
- Competition from other charities for philanthropic dollars was mentioned as the greatest challenge.
- Recruiting and retaining donors as well as changing demographics and aging of some donors.
- The need to publicize the charity's work among the community and general public
- Staffing issues, such as affording key positions and finding, motivating and keeping skilled development professionals.
- Other responses include the economy; limited resources; decreasing support from the government, corporation and foundations; and volunteer recruitment.

9. Do fundraisers believe funding levels will increase, decrease or stay the same in 2004?

The majority of U.S. fundraisers surveyed believe that fundraising will increase in 2004, their optimism building on increased growth realized in 2003. Sixty-six percent of fundraising professionals believe their charities will raise more funds in 2004, as compared with just 45 percent a year ago. About 24 percent predict they will raise nearly the same amount as 2003, and only 9 percent expect to see fewer donations come into their charities. Statistics of Canadian expectations were not available.

Chart 9a: Predicted 2004 Change in Fundraising Totals – United States

In 2004, organization will raise:	United States
Less funds than 2003 totals	9.4%
The same as 2003	24.2%
More than 2003 totals	66.3%

Among the practice settings in the United States, all groups predicted increases in funds raised in 2004. The majority in those groups predicted that funds raised in 2003 would be the same amount as those raised in 2002. The largest percentages were among education and environmental groups, however the respondent pools of these groups were too small to be statistically accurate. Nonprofits in the arts and cultural sector had the largest segment expecting fundraising to hold steady.

Chart 9b: Predicted 2004 Changes in Fundraising by Sector—United States

2003 vs. 2004	All	Arts/Cult.	Soc. Srv.	Educ.	Envir.*	Pub. Soc/Ben.*	Healthcare	Religious*
Fewer Funds will be raised	9.4%	12.1%	11.4%	10.8%	0.0%	11.1%	7.7%	16.7%
About the same will be raised	24.2%	39.4%	24.3%	20.7%	10.0%	0.0	24.4%	27.8%
More Funds will be Raised	66.3%	48.5%	64.3%	68.5%	90.0%	88.9%	67.9%	55.6%

**Respondent pool of subsections too small to be statistically valid.*

Challenges and 2004 Predictions

Survey respondents were invited to share their thoughts on the biggest challenges and positive issues influencing their fundraising efforts in 2003, as well as their predictions of top challenges or trends – either positive or negative – they expect to face in 2004. Difference of opinion lay at the top issue. The largest group of U.S. respondents reported a continuing concern or interest in the economy in 2004, while Canadians barely mentioned it. Common themes emerge from the other issues mentioned in the more than 500 comments from fundraising professionals in both the United States and Canada who responded to the survey.

The Economy – No. 1 U.S. Interest

The economy once again leads the list of challenges, trends or interest affecting survey respondents from the United States. In the last couple of surveys, the economy was a standout concern for North Americans. This survey, in contrast, reveals that not as many U.S. respondents as in the past see the economic future as challenge, and a number of respondents noting the economy as a top issue are conservatively optimistic. Just a few Canadian fundraisers saw the economy as a continuing concern for their charities.

“If the economy keeps growing as it did in 2003, I believe it will have a very positive effect on our donors’ giving habits,” said one respondent from the United States.

Another U.S. respondent remarked on the improved confidence in the future – with a caveat: “However, confidence is fragile and could change with external events and/or influence.”

One Canadian respondent remarked on economic improvements – “a better economy (no SARS)” – while another still struggles with the “downturn in the rural economy with BSE, drought, etc.”

Several respondents (both U.S. and Canadian) noted that the all-important donor confidence in the economy is slowly returning. One fundraiser said, “Our donors are feeling a bit more secure about their finances and going ahead with gifts rather than [having] a ‘wait and see’ attitude.”

Competition with Other Nonprofits

Top of the list for more Canadian respondents was the challenge of having to compete with other charities for decreasing funds. Of interest to U.S. fundraisers as well, many respondents noted the increasing number of nonprofits, including those that typically were supported by government funding.

“Too many campaigns in our community make it difficult to attract major donors who become tapped out,” said one respondent.

“Competition is our single biggest challenge,” one fundraiser wrote succinctly. Another remarked on the “continued clutter in the marketplace.”

Another fundraiser was more suspicious about the character of the newer nonprofits. "I'm worried that more and more nonprofits are being started up," the respondent noted. "Some represent excellent causes, others are con artists."

Perhaps the comment of one respondent summed the concern up best: "Too many asks from too many charities."

Respondents also pointed to the ongoing need to cultivate and maintain their donor base and to differentiate their charities from all the others.

One respondent captured the sentiments of many by commenting on the challenge of "awareness of mission and identifying and reaching a targeted audience. Blending our needs and donor needs is difficult in times when all nonprofits are vying for dollars."

Board and Charity Leadership

Of interest to both Canadian and U.S. fundraising professionals was good leadership. Leadership direction, involvement and support from board members and nonprofit executives was cited as critical to a successful future.

Several respondents commented that changes in leadership had a negative effect on their charities, while others struggled with boards that were not involved or interested in fundraising for their organization.

One respondent noted "staff morale due to significant leadership changes" as a challenge for 2004, while another anticipated the effect of "significant leadership change [and] a burned out board" on the charity.

For others, a change in leadership was seen as a positive. "Our board has been transitional for the past few years, but we are ready to hit the ground running in 2004 and expect higher returns because we will be more actively fundraising," remarked one respondent.

A board involved in the fundraising process was the desire of many respondents. "The board of trustees need to become more involved in fundraising and a strategic plan needs to be developed and implemented," a fundraiser said.

"The economy has a negative effect on fundraising at this time," another respondent remarked. "The only way to combat this is for our friends and board members to get our name out into the corporate world and seek out grants."

Many respondents are already benefiting from an involved board, shown in comments about the positives of 2003 such as: "obtaining new board members willing to help us with corporate contacts;" "personal appeals from board members;" and simply, "board energy."

“Most board members doubled their gifts, led by the chair who contributed nearly \$4M on his own!” one respondent commented excitedly about the board in 2003, with some hesitation for 2004. “But it is a double-edged sword since we have to use the same argument [organizational crisis] for gaining extra support this year.”

Challenges in the Development Office

Respondents reported challenges in the development offices, as many experienced staff shortages due to budget cuts, staff turnover, or a lack of support by leadership for development. The result is an overworked staff that sometimes is little appreciated or has limited success.

“Budget constraints are impacting the number of fundraising staff members,” commented one respondent. “We need more staff – professional and support in order to raise money.”

“As a part-time fundraising professional, there is always too much to do and not enough time to do it!” writes a fundraiser. “We are doing what I call maintenance (only the basics) fundraising ... anything above that happens by the grace of God!”

Some are experiencing the frustration of having the wrong personnel fit: “A new boss with only two years development experience, who is constantly changing our direction, thus nothing is every completed.”

Other organizations experienced the positive impact of a good staff on its fundraising, even in the face of limited personnel and financial resources. “The development staff worked harder and faster and put in long hours,” a respondent said of the team in 2003. Another person spoke of “the willingness of existing staff to ‘pick up the pieces’ by doing, in addition to our own jobs, the work of empty positions.”

Still, not all staffing issues are gloomy for 2004. Some fundraisers are beginning to win leadership support and are budgeting for development staff. One charity has just hired its first director of development in thirty years. “She has a lot to learn, but will be an enormous asset to us in the future,” the respondent said.

Another respondent’s enthusiasm underscores the positive impact a good staff can have on an organization. “Our intention to increase development staff ten-fold can only have a positive impact on our bottom line in the coming year!”

2004 Predictions

The majority of fundraisers surveyed believe that fundraising will increase again in 2004, encouraged that the momentum of recovery begun in 2003 will continue. Sixty-six percent of U.S. respondents expect to raise more money in 2004, a jump in optimism of more than 20 percent. Only 45 percent of U.S. respondents had expected to make more in 2003 than in 2002.

The economy continues to be an issue of interest for U.S. respondents, but many are watching for its positive effects now. To Canadian respondents, the top challenge is competing with other nonprofits, which also concerns their southern counterparts. Both U.S. and Canadian fundraisers will be working harder, developing new fundraising strategies and marketing their organizations to differentiate themselves in a crowded philanthropic field. As one constituent said, the greatest challenge for 2004 is “expanding name and mission recognition to compete for charitable dollars with similar agencies.”

Resolving staff and leadership issues round out top priorities for fundraisers in North America. After a few years of belt-tightening, many fundraising staffs and boards are burning out. Others have pressed for change and are looking forward to articulated vision from the leadership, board support and involvement in fundraising, and expanding (or creating) development teams.

One respondent, looking forward to a “new staff with new ideas” articulated well the key to succeeding in the new philanthropic environment: “not doing things ‘as we always have.’”

<i>Guessed Present Year-Next Year Change in All Monies Raised</i>	U.S. 2001	U.S. 2002	U.S. 2003
Lower in the Next Current Year	13.9%	16.3%	9.4%
About the Same	28.0%	38.1%	24.2%
Higher in the Next Year	58.1%	45.3%	66.3%
No Answer	2.6%	1.6%	1.0%

Additional Charts/Tables

Donors/Fundraising Strategies

1: What percentage of your donors was new in 2003?

<i>What percentage of your donors were new in 2003?</i>	U.S.	Canada
0% (None)	--	14.5
01-05%	28.8	22.4
06-10%	30.9	17.1
11-15%	17.7	10.5
16-20%	9.4	1.3
21-25%	4.0	10.5
26%+	9.1	23.7

2: What percentage of your continuing donors increased their gift?

<i>What percentage of your continuing donors increased their gift?</i>	U.S.	Canada
0% (None)	--	14.5
01-05%	36.2	22.4
06-10%	30.9	17.1
11-15%	15.0	10.5
16-20%	6.4	1.3
21-25%	4.7	10.5
26%+	6.7	23.7

3: How did your funding of various development strategies change from 2002 to 2003?

<i>Past Year-Present Year Change in Direct Mail Funding</i>	U.S. 2001	U.S. 2002	U.S. 2003		Can. 2002	Can. 2003
Lower than Past Year	23.8%	28.9%	24.3%		22.2%	19.4%
About the Same	29.8%	30.2%	32.6%		31.1%	6.0%
Higher than Past Year	46.3%	40.9%	43.1%		46.7%	74.6%
Don't Use	15.0%	23.1%	14.4%		21.0%	
No Answer	3.0%	2.6%	1.3%		1.8%	38.0%

<i>Past Year-Present Year Change in Telemarketing</i>	U.S. 2001	U.S. 2002	U.S. 2003		Can. 2002	Can. 2003
Lower than Past Year	25.2%	33.7%	17.7%		26.3%	20.0%
About the Same	31.1%	27.9%	29.0%		31.6%	20.0%
Higher than Past Year	43.7%	34.4%	53.2%		42.1%	60.0%
Don't Use	71.5%	78.8%	67.4%		75.4%	
No Answer	3.0%	1.6%	1.3%		1.8%	72.2%

<i>Past Year-Present Year Change in Major Gifts Funding</i>	U.S. 2001	U.S. 2002	U.S. 2003		Can. 2002	Can. 2003
Lower than Past Year	19.7%	29.1%	18.9%		17.9%	32.3%
About the Same	29.4%	28.0%	28.3%		28.6%	4.8%
Higher than Past Year	50.9%	42.9%	52.8%		53.5%	62.9%
Don't Use	10.9%	14.7%	7.3%		17.1%	
No Answer	3.0%	1.6%	1.8%		0.9%	42.6%

Past Year-Present Year Change in Planned Gifts Funding	U.S. 2001	U.S. 2002	U.S. 2003	Can. 2002	Can. 2003
Lower than Past Year	16.8%	25.8%	17.4%	17.1%	28.6%
About the Same	40.6%	34.7%	40.5%	39.2%	10.7%
Higher than Past Year	42.6%	39.5%	42.1%	43.8%	60.7%
Don't Use	29.6%	37.5%	23.7%	33.3%	
No Answer	3.9%	1.6%	0.8%	1.5%	48.1%
Past Year-Present Year Change in Online/Internet Funding	U.S. 2001	U.S. 2002	U.S. 2003	Can. 2002	Can. 2003
Lower than Past Year	8.1%	7.1%	4.4%	2.8%	8.5%
About the Same	35.0%	41.8%	34.4%	39.0%	23.4%
Higher than Past Year	56.9%	51.0%	61.1%	58.2%	68.1%
Don't Use	62.7%	66.3%	53.3%	55.3%	
No Answer	3.0%	2.2%	1.3%	2.4%	56.5%
Past Year-Present Year Change in Special Event Funding	U.S. 2001	U.S. 2002	U.S. 2003	Can. 2002	Can. 2003
Lower than Past Year	20.2%	22.8%	16.1%	23.8%	25.0%
About the Same	33.4%	32.9%	31.1%	22.2%	5.3%
Higher than Past Year	46.4%	44.3%	52.8%	54.0%	69.7%
Don't Use	21.7%	21.2%	22.5%	17.4%	
No Answer	3.9%	2.9%	2.0%	4.2%	29.6%
Your Organization's Special Events Practice	U.S. 2001	U.S. 2002	U.S. 2003	Can. 2002	Can. 2003
No Special Events	22.5%	21.7%	22.9%	18.2%	
Several Small Events	11.4%	12.2%	15.2%	16.0%	
One Large Event + Others	45.4%	43.4%	41.5%	51.4%	
One Main Event Only	20.7%	22.7%	20.4%	14.4%	
No Answer	3.6%	2.6%	2.0%	4.2%	